

1                                   **DIRECT TESTIMONY**  
2                                   **OF**  
3                                   **RONALD K. NESMITH**  
4                                   **ON BEHALF OF**  
5                                   **FTC COMMUNICATIONS, INC.**  
6                                   **DOCKET NO. 2007-193-C**

7   **Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

8   A..   My name is Ronald K. Nesmith. My business address is Post Office Box 588, 1101 E.  
9         Main Street, Kingstree, South Carolina 29556.

10 **Q.    BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

11 A.     I am employed by Farmers Telephone Cooperative, Inc. (FTC) as its External Affairs &  
12         Chief Regulatory Officer. I serve in this capacity for the cooperative and its affiliates.

13 **Q.    PLEASE BRIEFLY OUTLINE YOUR EDUCATION, TRAINING AND**  
14 **EXPERIENCE IN THE TELEPHONE INDUSTRY?**

15 A.     I earned a Bachelor of Business Administration degree from Francis Marion University.  
16         I began my telecommunications career at FTC in June of 1973 as a network technician  
17         and, with the opening of a new position within the accounting department, transferred to  
18         the accounting department in 1975. Since 1975, I have worked in many area of  
19         responsibility including internal policies and procedures, settlements and external affairs  
20         with connecting carriers, access billing, negotiations of interconnection agreements, and  
21         regulatory functions including cost study work, rate design for tariff filings, access

1 billing, and universal services.

2 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

3 A. I am appearing on behalf of FTC Communications, Inc. (FTCC), d/b/a FTC Wireless, a  
4 wholly owned affiliate of Farmers Telephone Cooperative, Inc. and a provider of cellular  
5 service to members and non-members of Farmers within the licensed service area  
6 contained totally within South Carolina, and more specifically within the geographic  
7 footprint of Farmers Telephone Cooperative's service area.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. The purpose of my testimony is to present FTCC's comments and position with respect to  
10 how eligible USF will be calculated for FTCC as an eligible CETC, the intended uses of  
11 those federal USF funds by FTCC, the impact of FTCC's eligibility upon the federal  
12 USF, and the potential impact upon federal USF if other wireless CETC's are designated.

13 **Q. HAS FTC COMMUNICATIONS, INC. PROVIDED INFORMATION TO THE**  
14 **COMMISSION REGARDING PROJECTED USF SUPPORT UNDER A TWO**  
15 **YEAR PLAN?**

16 A. Yes.

17 **Q. WHAT WAS THE NATURE OF THE INFORMATION?**

18 A. Construction plans with cost studies and information relating to population density and  
19 budget plans for FTC Communications, Inc.

20 **Q. DO YOU CONSIDER THIS INFORMATION PROPRIETARY AND**  
21 **CONFIDENTIAL?**

1 A. Yes and it was protected as such by the Commission.

2 **Q. DID FTC COMMUNICATIONS, INC. MAKE IT AVAILABLE TO THE ORS?**

3 A. Yes under commitments to protect its confidentiality.

4 **Q. CAN YOU DESCRIBE IN GENERAL HOW FTC COMMUNICATIONS, INC.**

5 **EXPECTS TO EXTEND AND ENHANCE ITS NETWORK AND THE RESULTS**  
6 **OF SUCH FOR THE CONSUMER?**

7 A. In the Plan's first year, assuming FTCC is designated as an Eligible Telecommunications  
8 Carrier (ETC), USF support will be spent to construct additional tower sites within the  
9 service area of customers who have no service or inadequate service. The second year of  
10 the plan includes a doubling of the sites, all of which we believe will cost approximately  
11 ten million dollars over the two year construction project. FTC Communications, Inc.'s  
12 plan identified specific sites for the first year but does not for the second year due to the  
13 need to reevaluate RF signal strength in the field after the first year, but it is believed that  
14 second year tower sites will be needed to fill in coverage gaps as shown on its service  
15 map.

16 **Q. WHAT IS THE USF SUPPORT AVAILABLE TO FTC COMMUNICATIONS,**  
17 **INC. IF DESIGNATED AN ETC?**

18 A. The estimated 3Q2007 High Cost Report Appendix HC01<sup>1</sup> (latest report period available  
19 at this time) from USAC reflects a Total High Cost Monthly amount for Study Area  
20 249002, FTC Communications, Inc., to be \$295,011 for the rural lines reported. This

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<sup>1</sup> Available through selection of "USAC FCC Filings" on USAC's High Cost website ([www.usac.org/hc/](http://www.usac.org/hc/))

figure includes a per-line allocation of High Cost, Safety Net Additive, and ICLS currently available to Farmers Telephone Cooperative.

**Q. DOES THE APPLICATION OF FTCC SEEK DESIGNATION IN NON-RURAL AREAS OF ITS SERVICE AREA?**

A. No.

**Q. IS THE AREA IN WHICH FTCC SEEKS DESIGNATION A HIGH COST AREA?**

A. Yes. The FCC has determined that the area served by FTC, the parent affiliate of FTCC, which is the same area FTCC seeks to be designated in, is one of the highest cost study areas in South Carolina.

**Q. WHAT IS THE EFFECT OF FTCC'S DECISION NOT TO SEEK DESIGNATION IN ITS NON-RURAL AREAS?**

A. An additional line item is also reported in the estimated 3Q2007 High Cost Report Appendix HC01 for support eligible within the nonrural service area of Verizon. FTCC would be eligible for \$9,189 monthly for Interstate Access Support (IAS) currently available to Verizon. However, FTCC has decided to forego filing for ETC eligibility within the service area of Verizon since it provides service to only a small portion of Verizon's 240479 study area, and as such would have to perform rigorous creamskimming analyses. Since FTCC has chosen to seek ETC eligibility within all of the FTC study area 240520, no creamskimming analysis will be required. The estimates for FTCC are based upon most current line counts appearing on the 3/31/07 FCC 525 Form, as filed with NECA and FCC.

1     **Q.     WHAT USE FEE DOES A CURRENT FTC COMMUNICATIONS, INC.**  
2     **WIRELESS CUSTOMER PAY?**

3     A.     Due to the difficulties in determining the jurisdictional nature of wireless revenues where  
4     monthly pricing plans are based on total minutes without jurisdiction, either special  
5     analysis of the underlying calls are required in order to allocate billed revenue to  
6     jurisdictions, or the carrier may use the Interim Safe Harbor rules. FTCC uses the Safe  
7     Harbor rule which currently is set at 37.1% of total billed revenues. What this means is  
8     that 37.1% of the total bill amount to the customer is defined as interstate and subject to  
9     the current Federal Universal Charge (FUSC), as determined quarterly by the FCC based  
10    upon quarterly filings of FCC 499 Forms by telecommunications providers and the  
11    funding required. The FUSC, as of 4/3/07, is 11.7% of interstate billing. Each wireless  
12    customer billed by FTCC will be assessed an FUSC of 4.34% (11.7 x 37.1%) of their  
13    total monthly billing. By example, a total wireless bill of \$100.00 would be assessed  
14    \$4.34 for federal USF support. FTCC's average monthly wireless bill is \$53.00, resulting  
15    in an average FUSC charge of \$2.30.

16    **Q.     HOW MANY FTC COMMUNICATIONS, INC. WIRELESS CUSTOMERS PAY**  
17    **THE USE FEE AND WHAT IS THE TOTAL USF CONTRIBUTION FOR FTC**  
18    **COMMUNICATIONS, INC. WIRELESS CUSTOMERS?**

19    A.     According to the data filed on the 3/31/07 FCC Form 525, FTCC reported 11,161  
20    customers in study area 240520 (Farmers Telephone Cooperative) and 2,410 customers in  
21    the 240479 study area (Verizon). Overall, FTCC's customers' average monthly

1 contribution to the FUSC is \$25,672.50 for an annual average contribution of  
2 \$308,070.38.

3 **Q. WHAT IMPACT ON THE FEDERAL USF WOULD OCCUR IF WIRELESS**  
4 **CARRIERS WERE DESIGNATED ETCs IN SOUTH CAROLINA?**

5 A. According to the most recent (3Q2007) USAC filings of estimated high cost support to  
6 the FCC, "Total High Cost Annualized Projected Support", as appears in Appendix  
7 HC02<sup>2</sup>, is listed as \$4,482,519,396 for all reporting carriers. Of course, these amounts  
8 include some carriers still listed as ineligible but included should they receive ETC  
9 designation. Of the total, FTCC represents 8/100 or approximately 1/12 of one percent of  
10 the Total High Cost Annualized Projected Support. The truth is that USF support to  
11 FTCC would have little to no real impact. Even if the Commission would designate all  
12 CETCs in the state such that the total amount of federal USF paid to South Carolina  
13 doubles, it would only add another 1.93% to the total federal fund. To think that SC has  
14 an impact on the growth of federal USF is unfounded, and it should not be used as a tool  
15 to manage the USF. The management of the federal USF is best left on the federal level  
16 and the FCC is proceeding to address the concerns about the sustainability of the USF.  
17 The concern I have is for the qualified South Carolina applicant and the customers who  
18 would be served with USF support.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes.

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<sup>2</sup> Available through selection of "USAC FCC Filings" on USAC's High Cost website ([www.usac.org/hc/](http://www.usac.org/hc/))

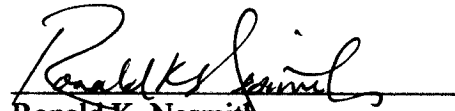
**BEFORE THE  
PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA**

IN RE:    Application of FTC Communications, Inc.    )  
          DBA FTC Wireless for Designation as an    )    UTILITIES DEPARTMENT  
          Eligible Telecommunications Carrier        )  
          Pursuant to Section 214 (e)(2) of the        )    DOCKET NO. 2007-193-C  
          Communications Act Of 1934                )

**AFFIDAVIT OF RONALD K. NESMITH**

I, Ronald K. Nesmith, under penalty of perjury, affirm and state this 21<sup>st</sup> day of June, 2007:

1. My name is Ronald K. Nesmith. I am External Affairs and Chief Regulatory Officer of Farmers Telephone Cooperative, Inc. My office is located at 1101 E. Main Street, Kingstree, South Carolina 29556.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of FTC Communications, Inc., having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby affirm that my answers contained in the attached testimony to the questions propounded, including any attachment thereto, are true and accurate to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Ronald K. Nesmith

SWORN to before me this 21<sup>st</sup>  
day of June, 2007.

Sarah Brannon Wilson (L.S.)  
NOTARY PUBLIC FOR SOUTH CAROLINA  
My Commission Expires: March 26, 2017

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA**

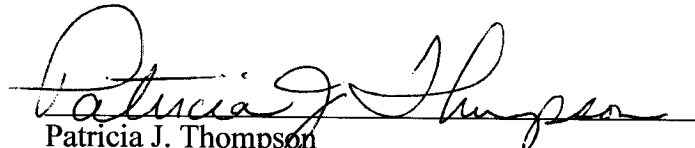
IN RE: Application of FTC Communications, Inc. )	UTILITIES DEPARTMENT
DBA FTC Wireless for Designation as an )	
Eligible Telecommunications Carrier )	DOCKET NO. 2007-193-C
Pursuant to Section 214(e)(2) of the )	
Communications Act of 1934 )	

**CERTIFICATE OF SERVICE**

This is to certify that I, Patricia J. Thompson, an employee with Schwartz, McLeod, DuRant & Jordan, have this date served one (1) copy of the attached Direct Testimony of Ronald K. Nesmith in the above-referenced matter to the persons named below by causing said copies to be deposited with the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below.

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July 2, 2007

Sumter, South Carolina